

CEDAR COUNTY  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

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# CEDAR COUNTY

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jon Bell	Board of Supervisors	Jan. 2013
Wayne Deerberg	Board of Supervisors	Jan. 2013
Dennis Boedeker	Board of Supervisors	Jan. 2013
Betty Ellerhoff	Board of Supervisors	Jan. 2015
Bradley Gaul	Board of Supervisors	Jan. 2015
Cari Gritton	County Auditor	Jan. 2013
Gary R. Jedlicka	County Treasurer	Jan. 2015
Melissa Helmold	County Recorder	Jan. 2015
Warren Wethington	County Sheriff	Jan. 2013
Jeffrey Renander	County Attorney	Jan. 2015
Dan Lett	County Assessor	Jan. 2016

DOUGLAS T. HUNT, CPA  
DONALD D. KAIN  
CHUCK C. CONVERSE, CPA  
RUSSELL S. TERPSTRA, CPA  
MICHAEL G. STANLEY, CPA  
DEE A.A. HOKE, CPA

**HUNT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Cedar County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Cedar County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar County at June 30, 2012 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2013 on our consideration of Cedar County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 12 and 52 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cedar County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of County management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
March 12, 2013

*Hunt & Associates, P.C.*

**CEDAR COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FY 2012**

Management of Cedar County provides this Management's Discussion and Analysis of Cedar County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

County governmental funds revenue increased by .6% or \$90,817 from FY2011 to FY2012. Intergovernmental revenue decreased by \$247,500 as a primary result of decrease in revenue received from FEMA grants. Use of money and property revenue decreased by \$20,595, primarily as a result of declining interest rates. The County governmental fund expenditures increased by 1.2%, or \$183,972 from FY2011 to FY2012.

**USING THE ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Cedar County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Cedar County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cedar County acts solely as an agent or custodian for the benefit of those outside the government. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of actual results to the County's budget for the year.
- Supplementary information provides detailed information about the nonmajor governmental funds and the individual fiduciary funds.

## **Reporting the County as a Whole**

### *The Statement of Net Assets and the Statement of Activities*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the statement of net assets and the statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

## **Fund Financial Statements**

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, and 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs.



The Governmental funds' required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary funds account for the County's employee group health insurance and cafeteria plan, which are internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The Proprietary funds' required financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows.

3. Fiduciary funds' are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds, among which are included Emergency Management Services, the County Assessor, and the E-911 Service Board.

The Fiduciary funds required financial statements include a statement of fiduciary assets and liabilities.

Summary reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Assets of Governmental Activities

		FY 2012	FY 2011	% Difference
Current and other assets		14,115,420	13,744,770	2.70%
Capital assets		32,642,636	31,171,757	4.72%
Total assets		46,758,056	44,916,527	4.10%
Long-term liabilities		788,578	799,439	-1.36%
Other liabilities		7,930,421	7,766,376	2.11%
Total liabilities		8,718,999	8,565,815	1.79%
Net assets				
Invested in capital assets		32,642,636	31,171,757	4.72%
Restricted		3,579,134	3,231,470	10.76%
Unrestricted		1,817,287	1,947,485	-6.69%
Total net assets		38,039,057	36,350,712	4.64%

### Changes in Net Assets of Governmental Activities

Revenues:		FY2012	FY2011	% Differen
Program revenue				
	Charges for services	1,796,880	1,619,695	10.94%
	Operating grants	5,370,101	5,398,490	-0.53%
	Capital grants	2,765,337	2,476,497	11.66%
General revenue:				
	Property and other taxes	7,382,567	7,132,416	3.51%
	Penalty/interest on property taxes	63,033	62,069	1.55%
	State tax credits	233,032	238,851	-2.44%
	Unrestricted grants	-	-	-
	Unrestricted investment earnings	77,116	92,364	-16.51%
	Miscellaneous	12,722	32,046	-60.30%
	Total revenue	17,700,788	17,052,428	3.80%
Program expenses:				
	Public safety and legal services	3,055,932	3,002,285	1.79%
	Physical health and social services	1,181,664	1,229,207	-3.87%
	Mental health	2,634,589	2,244,372	17.39%
	County environment and education	1,258,019	1,210,825	3.90%
	Roads and transportation	6,110,733	6,400,511	-4.53%
	Government services to residents	459,852	467,256	-1.58%
	Administration	1,305,052	1,329,269	-1.82%
	Non program current	6,602	15,307	-56.87%
	Total expenses	16,012,443	15,899,032	0.71%
	Change in net assets	1,688,345	1,153,396	46.38%
Net assets at beginning of year		36,350,712	35,197,316	3.28%
Net assets at end of year		38,039,057	36,350,712	4.64%

As noted earlier, net assets may serve over time as a useful indicator of financial position.

### THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of approximately \$6 million, as compared to last year's balance of approximately \$5.8 million. The County funds received \$90,817 more revenue than was received in operating revenues for the prior year and spent \$183,972 more in expenditures than the prior year. The following are reasons for the changes in fund balance.

- General Fund revenues decreased \$319,032, and expenditures decreased \$290,929 when compared to the prior year. The ending fund balance showed an decrease from the prior year of \$112,204 to \$3,008,971.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenue increased by 1.95%, or \$48,067 and expenditures increased by 17%, or \$384,510. The Mental Health Fund ending fund balance showed an decrease from the prior year of \$132,824 to \$583,588.
- Rural Services Fund revenues increased by \$25,790 for FY12. Expenditures increased \$17,892. The primary function for the fund is for transfers to the Secondary Road Fund. Transfers made to the Secondary Roads Fund totaled \$1,765,953 for fiscal year 2012, an increase of \$67,769 from the prior year. County contributions to libraries increased for the fiscal year to \$80,000.
- Secondary Roads Fund expenditures decreased by \$44,272 over the prior year. Revenue increased by \$289,118. The Secondary Roads Fund ending balance for the year increased by \$480,266.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisor's annually adopts a budget following the required public notice and hearing for all funds, except agency funds and internal service funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget twice. The amendments were made in February 2012 and May 2012, and resulted in a \$495,500 increase in receipts from the original certified budget. The amendments resulted in a \$683,586 increase in disbursements from the original certified budget. The increases are primarily attributable to reimbursements and costs associated with the bridge replacement. The County did not exceed the amount budgeted in any function at year end but did exceed the capital projects function prior to amending the budget for the year ended June 30, 2012.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY12, Cedar County had approximately \$32.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges, net of approximately \$26.6 million of accumulated depreciation/amortization.

More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

### **Long-Term Obligations**

The County's general obligation bond rating of A2, as set in FY02, reflects the County's modest tax base, a satisfactory financial position defined by strong reserves and a low debt burden. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County has no outstanding general obligation debt.

Other obligations include early retirement, accrued vacation pay and sick leave, post employment benefits and landfill post closure monitoring costs. More detailed information about the County's long-term liabilities is presented in Note 8 to the financial statements.

### **ECONOMIC FACTORS, AND NEXT YEAR'S BUDGETS, AND RATES**

Cedar County's elected and appointed officials and citizens considered many factors when setting the 2013 fiscal year budget, tax rates, and the fees that will be charged for the various County services. Factors include the economy, local option tax revenue and other counties' needs for prisoner room and board, as well as state funding expectations.

These indicators were taken into account when adopting the General Fund budget for FY2013.

The County has added no major new programs or initiatives to the FY2013 budget.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Cedar County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Cedar County, 400 Cedar Street, Tipton, IA 52772.

## Basic Financial Statements

CEDAR COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,470,625
Receivables:	
Property tax:	
Delinquent	31,891
Succeeding year	6,943,000
Interest and penalty on property tax	58,058
Accounts	139,751
Accrued interest	708
Due from other governments	606,844
Contract receivable (note 5)	53,400
Inventories	696,356
Prepaid expenses	114,787
Capital assets, net of accumulated depreciation/amortization (note 6)	<u>32,642,636</u>
 Total assets	 <u>46,758,056</u>
<b>Liabilities</b>	
Accounts payable	415,221
Salaries and benefits payable	118,525
Due to other governments (note 7)	303,673
Incurred but not reported claims	20,000
Accrued interest payable	
Deferred revenue:	
Succeeding year property tax	6,943,000
Other	130,002
Long-term liabilities (note 8):	
Portion due or payable within one year:	
Early retirement	35,339
Estimated liability for landfill postclosure monitoring	14,000
Compensated absences	359,332
Portion due or payable after one year:	
Early retirement	50,995
Estimated liability for landfill postclosure monitoring	84,000
Compensated absences	18,912
Net OPEB liability	<u>226,000</u>
 Total liabilities	 <u>8,718,999</u>

CEDAR COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2012

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets	\$ 32,642,636
Restricted for:	
Supplemental levy purposes	606,433
Mental health purposes	565,721
Rural services purposes	313,969
Secondary roads purposes	1,616,036
Resource enhancement and protection purposes	59,953
Public health nursing purposes	5,153
Conservation purposes	145,081
Hazard mitigation purposes	23,593
Other purposes	243,195
Unrestricted	<u>1,817,287</u>
Total net assets	<u>\$ 38,039,057</u>

See notes to financial statements.

CEDAR COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 3,055,932	\$ 287,346	\$ 16,760	\$ -	\$ (2,751,826)
Physical health and social services	1,181,664	135,336	677,097	-	(369,231)
Mental health	2,634,589	21,612	1,524,386	-	(1,088,591)
County environment and education	1,258,019	530,642	63,695	115,153	(548,529)
Roads and transportation	6,110,733	403,532	3,066,637	2,650,184	9,620
Government services to residents	459,852	329,154	20,029	-	(110,669)
Administration	1,305,052	89,258	1,497	-	(1,214,297)
Non-program	6,602	-	-	-	(6,602)
Total	\$ 16,012,443	\$ 1,796,880	\$ 5,370,101	\$ 2,765,337	(6,080,125)
General Revenues:					
Property and other county tax levied for:					
General purposes					6,740,081
Penalty and interest on property tax					63,033
State tax credits					233,032
Local option sales and services tax					642,486
Unrestricted investment earnings					77,116
Miscellaneous					12,722
Total general revenues					7,768,470
Change in net assets					1,688,345
Net assets beginning of year					36,350,712
Net assets end of year					\$ 38,039,057

See notes to financial statements.



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CEDAR COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,903,099	\$ 841,383	\$ 329,196	\$ 966,129
Receivables:				
Property tax:				
Delinquent	18,831	4,167	8,893	-
Succeeding year	4,207,000	931,000	1,724,000	-
Interest and penalty on property tax	58,058	-	-	-
Accounts	39,088	-	-	85,543
Accrued interest	528	-	-	-
Interfund receivable (note 3)	117,500	-	-	15,000
Contract receivable (note 5)	53,400	-	-	-
Due from other governments	77,401	114,908	103,340	311,195
Inventories	-	-	-	696,356
Total assets	\$ <u>7,474,905</u>	\$ <u>1,891,458</u>	\$ <u>2,165,429</u>	\$ <u>2,074,223</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 405,307	\$ 5,445,114
-	31,891
81,000	6,943,000
-	58,058
15,120	139,751
-	528
-	132,500
-	53,400
-	606,844
-	<u>696,356</u>
<u>\$ 501,427</u>	<u>\$ 14,107,442</u>

CEDAR COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Interfund payable (note 3)	\$ -	\$ -	\$ -	-
Accounts payable	40,022	85,794	428	191,986
Salaries and benefits payable	67,453	5,344	3,849	38,971
Due to other governments (note 7)	21,170	281,565	-	938
Deferred revenue:				
Succeeding year property tax	4,207,000	931,000	1,724,000	-
Other	130,289	4,167	8,893	-
Total liabilities	<u>4,465,934</u>	<u>1,307,870</u>	<u>1,737,170</u>	<u>231,895</u>
Fund balances:				
Nonspendable:				
Inventories	-	-	-	696,356
Restricted for:				
Supplemental levy purposes	651,401	-	-	-
Resource enhancement and protection	59,953	-	-	-
Public health purposes	5,153	-	-	-
Hazard mitigation purposes	23,593	-	-	-
Conservation purposes	145,081	-	-	-
Mental health purposes	-	583,588	-	-
Rural services purposes	-	-	428,259	-
Secondary roads purposes	-	-	-	1,145,972
Other purposes	-	-	-	-
Assigned for:				
Sheriff	35,805	-	-	-
Unassigned	2,087,985	-	-	-
Total fund balances	<u>3,008,971</u>	<u>583,588</u>	<u>428,259</u>	<u>1,842,328</u>
Total liabilities and fund balances	<u>\$ 7,474,905</u>	<u>\$ 1,891,458</u>	<u>\$ 2,165,429</u>	<u>\$ 2,074,223</u>

See notes to financial statements.

	<u>Nonmajor</u>	<u>Total</u>
\$	132,500	\$ 132,500
	95,701	413,931
	2,908	118,525
	-	303,673
	81,000	6,943,000
	-	143,349
	<u>312,109</u>	<u>8,054,978</u>
	-	696,356
	-	651,401
	-	59,953
	-	5,153
	-	23,593
	582	145,663
	-	583,588
	-	428,259
	-	1,145,972
	279,001	279,001
	-	35,805
	<u>(90,265)</u>	<u>1,997,720</u>
	<u>189,318</u>	<u>6,052,464</u>
\$	<u><u>501,427</u></u>	<u><u>\$ 14,107,442</u></u>

## CEDAR COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2012

Total fund balances of governmental funds	\$ 6,052,464
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$59,254,677 and the accumulated depreciation/amortization is \$26,612,041.	32,642,636
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	143,349
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	(10,814)
Long-term liabilities, including early retirement, estimated liability for landfill post closure monitoring, compensated absences and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(788,578)</u>
Net assets of governmental activities	<u>\$ 38,039,057</u>

See notes to financial statements.

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## CEDAR COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 4,065,137	\$ 930,923	\$ 2,181,217	\$ 156,742
Interest and penalty on property tax	47,716	-	-	-
Intergovernmental	1,107,075	1,556,000	63,366	3,738,534
Licenses and permits	31,451	-	10,149	19,374
Charges for service	612,396	-	2,510	77
Use of money and property	143,961	-	-	-
Miscellaneous	23,390	21,618	-	133,689
Total revenues	6,031,126	2,508,541	2,257,242	4,048,416
Expenditures:				
Operating:				
Public safety and legal services	2,736,039	-	224,521	-
Physical health and social services	1,190,729	-	-	-
Mental health	-	2,641,365	-	-
County environment and education	495,566	-	159,496	-
Roads and transportation	-	-	-	4,687,747
Government services to residents	423,814	-	-	-
Administration	1,299,509	-	-	-
Non-program	6,602	-	-	-
Capital projects	-	-	-	664,356
Total expenditures	6,152,259	2,641,365	384,017	5,352,103
Excess (deficiency) of revenues over (under) expenditures	(121,133)	(132,824)	1,873,225	(1,303,687)
Other financing sources (uses):				
Sale of capital assets	8,929	-	-	18,000
Interfund transfers in (note 4)	-	-	-	1,765,953
Interfund transfers out (note 4)	-	-	(1,815,953)	-
Total other financing sources (uses)	8,929	-	(1,815,953)	1,783,953



	<u>Nonmajor</u>	<u>Total</u>
\$	39,600	\$ 7,373,619
	-	47,716
	52,039	6,517,014
	-	60,974
	459,491	1,074,474
	229	144,190
	50,140	228,837
	<u>601,499</u>	<u>15,446,824</u>

	-	2,960,560
	-	1,190,729
	-	2,641,365
	728,089	1,383,151
	-	4,687,747
	3,315	427,129
	4,046	1,303,555
	-	6,602
	11,505	675,861
	<u>746,955</u>	<u>15,276,699</u>

(145,456)      170,125

	-	26,929
	50,000	1,815,953
	-	(1,815,953)
	<u>50,000</u>	<u>26,929</u>

CEDAR COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ (112,204)	\$ (132,824)	\$ 57,272	\$ 480,266
Fund balances beginning of year	3,121,175	716,412	370,987	1,362,062
Fund balances end of year	<u>\$ 3,008,971</u>	<u>\$ 583,588</u>	<u>\$ 428,259</u>	<u>\$ 1,842,328</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ (95,456)	\$ 197,054
<u>284,774</u>	<u>5,855,410</u>
\$ <u><u>189,318</u></u>	\$ <u><u>6,052,464</u></u>

## CEDAR COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 197,054

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. The amount of capital outlay expenditures and depreciation/amortization expense in the current year are as follows:

	Expenditures for capital assets	\$ 1,093,045	
Capital assets contributed by the Iowa Department of Transportation		2,210,734	
Depreciation/amortization expense		<u>(1,832,900)</u>	1,470,879

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

	Property tax	8,948	
	Other	<u>6,917</u>	15,865

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 14,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

	Early retirement	21,101	
	Compensated absences	(1,240)	
	Net OPEB liability	<u>(23,000)</u>	(3,139)

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (6,314)

Change in net assets of governmental activities \$ 1,688,345

See notes to financial statements.

CEDAR COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2012

	Internal Service - Employee <u>Group Health</u>
<b>Assets</b>	
Cash and investments	\$ 25,511
Receivables:	
Accrued interest	180
Prepaid expenses	<u>114,787</u>
<b>Total assets</b>	<u>140,478</u>
<b>Liabilities</b>	
Accounts payable	1,290
Incurred but not reported claims	20,000
Deferred revenue:	
Other	<u>130,002</u>
<b>Total liabilities</b>	<u>151,292</u>
<b>Net Assets</b>	
Unrestricted	\$ <u><u>(10,814)</u></u>

See notes to financial statements.

CEDAR COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2012

	Internal Service - Employee <u>Group Health</u>
Operating revenues:	
Charges for services	\$ <u>1,577,935</u>
Operating expenses:	
Medical claims	157,024
Flexible benefits claim	65,436
Insurance premiums	1,333,953
Administrative fees	<u>28,272</u>
Total operating expenses	<u>1,584,685</u>
Operating loss	(6,750)
Non-operating revenues:	
Interest on investments	<u>436</u>
Net loss	(6,314)
Net assets beginning of year	<u>(4,500)</u>
Net assets end of year	<u>\$ (10,814)</u>

See notes to financial statements.

CEDAR COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2012

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 1,581,863
Cash payments to suppliers for services	<u>(1,583,463)</u>
Net cash used by operating activities	<u>(1,600)</u>
Cash flows from investing activities:	
Interest	<u>440</u>
Net decrease in cash and cash equivalents	(1,160)
Cash and cash equivalents beginning of year	<u>(13,329)</u>
Cash and cash equivalents end of year	<u>\$ (14,489)</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (6,750)
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Increase) in prepaid expenses	(68)
Increase in accounts payable	1,290
Increase in deferred revenue	<u>3,928</u>
Net cash used by operating activities	<u>\$ (1,600)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:	
Cash and investments	25,511
Less items not meeting the definition of a cash equivalent:	
Certificate of deposit	<u>(40,000)</u>
Cash and cash equivalents at year end	<u>\$ (14,489)</u>

See notes to financial statements.

CEDAR COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2012

Assets	
Cash and pooled investments:	
County Treasurer	\$ 1,526,233
Other County officials	70,855
Receivables:	
Property tax:	
Delinquent	82,291
Succeeding year	19,999,000
Accounts	<u>1,135</u>
Total assets	<u>\$ 21,679,514</u>
Liabilities	
Accounts payable	\$ 39,934
Salaries and benefits payable	5,013
Due to other governments (note 7)	21,578,064
Trusts payable	38,229
Compensated absences	<u>18,274</u>
Total liabilities	<u>\$ 21,679,514</u>

See notes to financial statements.



## CEDAR COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

#### Note 1. Summary of Significant Accounting Policies

Cedar County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Cedar County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Cedar County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

**Blended Component Units** – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Cedar County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the drainage district can be obtained from the Cedar County Auditor's office.

The Cedar County Solid Waste Commission has been established pursuant to Chapter 28E of the Code of Iowa for the disposal of solid waste and the acquisition, operation and use of public disposal areas. Although the Commission is legally separate from the County, the Commission provides services almost entirely to the County and it would be considered misleading to exclude the Commission due to its relationship with the County. The Solid Waste Commission's Solid Waste Disposal Fund is reported as a Special Revenue Fund. The Solid Waste Commission's closure surety, as required by Chapter 106.18 of the Iowa Administrative Code, is included in the Solid Waste Disposal Fund and is required to provide additional surety against any possible additional closure costs. Financial information of the Solid Waste Commission can be obtained from the Cedar County Auditor's Office.

CEDAR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Cedar County Assessor's Conference Board, Cedar County Emergency Management Commission, and Cedar County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

CEDAR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

CEDAR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

CEDAR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. The County had \$40,000 in investments not meeting the definition of cash equivalents at June 30, 2012.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Interfund Receivable/Payable – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Intangibles	\$ 150,000
Infrastructure	50,000
Land, buildings and improvements	5,000
Equipment and vehicles	2,500

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Intangibles	15
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

CEDAR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and health insurance premiums received which are not applicable until the fiscal year ending June 30, 2013.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, Secondary Roads, and Solid Waste Disposal Funds.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in preceding classifications.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the capital projects function prior to amending the budget and disbursements in the sanitary disposal department exceeded the amount appropriated.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$25,017 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in Iowa Public Agency Investment Trust is unrated.

Note 3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Tax Increment Financing	\$ 15,000
General Fund	Solid Waste Disposal	100,000
	Drainage Districts	<u>17,500</u>
		<u>\$ 132,500</u>

The balance between the Secondary Roads and Tax Increment Financing Funds represents a long-term loan. These balances are not included on the government-wide Statement of Net Assets.

The balance between the General Fund and Special Revenue Fund, Solid Waste Disposal represents a long-term loan for financing the purchase of a new vehicle by Solid Waste Disposal. This loan will be repaid over four years and includes interest at 2% per annum. These balances are not included on the government-wide Statement of Net Assets.



CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 3. Interfund Receivables and Payables (continued)

The balance between the General Fund and Special Revenue Fund, Drainage Districts represents a long-term loan for cash flow purposes for drainage improvements. These balances are not included on the government-wide Statement of Net Assets.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 1,765,953
Solid Waste Disposal		<u>50,000</u>
		<u>\$ 1,815,953</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5. Contract Receivable

During the year ended June 30, 2009, the County entered into a long-term interest-free lease agreement for a County building. The lease calls for payments of \$700 per month for 120 months, with a bargain purchase option of \$10,000 at the end of the lease. This represents an installment sale contract and the County has removed the building from their records.

Details of the County's installment contract receivable at June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 8,400
2014	8,400
2015	8,400
2016	8,400
2017	8,400
2018	<u>11,400</u>
	<u>\$ 53,400</u>

CEDAR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 6. Capital Assets

A summary of capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 1,949,676	\$ -	\$ -	\$ 1,949,676
Construction in progress	349,428	872	350,300	-
Total capital assets not being depreciated/amortized	<u>2,299,104</u>	<u>872</u>	<u>350,300</u>	<u>1,949,676</u>
Capital assets being depreciated/amortized:				
Intangibles	218,600	-	-	218,600
Buildings	4,409,157	28,044	10,500	4,426,701
Improvements other than buildings	55,621	-	-	55,621
Machinery and equipment	6,817,236	431,267	414,714	6,833,789
Infrastructure	42,576,394	3,193,896	-	45,770,290
Total capital assets being depreciated/amortized	<u>54,077,008</u>	<u>3,653,207</u>	<u>425,214</u>	<u>57,305,001</u>
Less accumulated depreciation/amortization for:				
Intangibles	29,146	14,573	-	43,719
Buildings	1,581,818	95,504	10,500	1,666,822
Improvements other than buildings	32,203	1,873	-	34,076
Machinery and equipment	5,172,220	466,413	414,714	5,223,919
Infrastructure	18,388,968	1,254,537	-	19,643,505
Total accumulated depreciation/amortization	<u>25,204,355</u>	<u>1,832,900</u>	<u>425,214</u>	<u>26,612,041</u>
Total capital assets being depreciated/amortized, net	<u>28,872,653</u>	<u>1,820,307</u>	<u>-</u>	<u>30,692,960</u>
Governmental activities capital assets, net	<u>\$ 31,171,757</u>	<u>\$ 1,821,179</u>	<u>\$ 350,300</u>	<u>\$ 32,642,636</u>

CEDAR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 6. Capital Assets (continued)

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 165,561
Physical health and social services	7,224
Mental health	1,121
County environment and education	78,500
Roads and transportation	1,536,276
Government services to residents	29,168
Administration	<u>15,050</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 1,832,900</u>

Note 7. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 21,170
Special Revenue:		
Mental Health		281,565
Secondary Roads		<u>938</u>
Total for governmental funds		<u>\$ 303,673</u>
Agency:		
County Assessor	Collections	\$ 824,889
Schools		13,214,170
Area Schools		987,090
E-911		256,233
Corporations		5,102,836
Townships		369,413
Auto License and Use Tax		425,210
All Other		<u>398,223</u>
Total for agency funds		<u>\$ 21,578,064</u>

CEDAR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 8. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Early Retirement	Estimated Liability for Landfill Postclosure Monitoring	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 107,435	\$ 112,000	\$ 377,004	\$ 203,000	\$ 799,439
Increases	9,631	-	359,394	23,000	392,025
Decreases	30,732	14,000	358,154	-	402,886
Balance end of year	<u>\$ 86,334</u>	<u>\$ 98,000</u>	<u>\$ 378,244</u>	<u>\$ 226,000</u>	<u>\$ 788,578</u>
Due within one year	<u>\$ 35,339</u>	<u>\$ 14,000</u>	<u>\$ 359,332</u>	<u>\$ -</u>	<u>\$ 408,671</u>

Early Retirement

The County offers an early retirement plan to all employees. The early retirement incentive for each eligible employee is as follows: Employees between the ages of 55 and 61 with at least sixteen years of service will receive 50% of the cost of health insurance at the time of retirement until they become eligible for Medicare; employees between the ages of 62 and 65 with at least sixteen years service will receive 85% of the cost of health insurance at the time of retirement until they become eligible for Medicare; and employees between the ages of 55 and 65 with less than sixteen years of service will receive a prorated benefit based on the number of years of service divided by sixteen. Early retirees who retire under IPERS eligibility rules will also receive a lump-sum payment for any unused sick leave at a rate of \$5.15 per accumulated hour.

At June 30, 2012, the County had obligations to ten participants with a total liability of \$86,334. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$30,732. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

Landfill Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County closed the landfill in 1989 and plans to complete the period of postclosure monitoring in 2019. The County reports a portion of these postclosure care costs as a liability based on the remaining period of required monitoring as of each balance sheet date. The \$98,000 reported as estimated liability for landfill postclosure care costs at June 30, 2012 represents an estimate of \$14,000 per year for postclosure monitoring for the next seven years (the remaining period of required postclosure monitoring). Actual postclosure care costs may be different due to inflation, changes in technology, or changes in regulations.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 9. Other Postemployment Benefits (OPEB)

**Plan Description** – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 136 active and ten retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage, which is a partially self-funded medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

**Funding Policy** – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation** – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 112,631
Interest on net OPEB obligation	8,120
Adjustment to annual required contribution	<u>(11,740)</u>
Annual OPEB cost	109,011
Contributions made	<u>(86,011)</u>
Increase in net OPEB obligation	23,000
Net OPEB obligation beginning of year	<u>203,000</u>
Net OPEB obligation end of year	<u><u>\$ 226,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$86,011 to the medical plan.

CEDAR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 9. Other Postemployment Benefits (OPEB) (continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 109,011	78.9%	\$ 226,000

**Funded Status and Funding Progress** – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,073,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,073,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,848,000 and the ratio of the UAAL to covered payroll was 22.1%. As of June 30, 2012, there were no trust fund assets.

**Actuarial Methods and Assumptions** – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from scale T-10 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$1,681 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 10. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$455,877, \$397,626 and \$375,819, respectively, equal to the required contributions for each year.

Note 11. Risk Management

Risk Pool

Cedar County has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in Heartland Insurance Risk Pool, a local government risk pool, to protect the County against tort liability, injuries to employees and other risks associated with County operation. The risk pool was created for the purpose of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member's annual contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County paid \$282,540 into the Pool for the fiscal year ended June 30, 2012.

Initial risk of loss is retained by the risk pool. The risk pool is reinsured through commercial companies for 100% of claims in excess of \$400,000 per occurrence for general, automobile, law enforcement, legal liability, and public officials liabilities, \$750,000 for workers' compensation liabilities, and property losses in excess of \$100,000 per occurrence. The risk pool fund includes reserves established to account for the liability for claims reported but not yet paid. A liability is also factored in for claims incurred but not reported (referred to as IBNR claims.) As of June 30, 2012 the risk pool maintained a surplus over the reserves and IBNR claims.

## CEDAR COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

#### Note 11. Risk Management (continued)

##### Risk Pool (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk-pool or reinsurance company coverage since the pool's inception.

The County has renewed its membership in the risk pool on an annual basis since July 1, 1989.

The County also carries commercial insurance purchased from other insurers for coverage associated with employee blanket bond in the amount of \$80,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

##### Self Insured Health Plan

The Cedar County Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Benefits Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for the difference between the employee deductible (\$500 for single and \$1,000 for family) and the deductible on the policy purchased by the County (\$3,500 for single and \$7,000 for family) for the health plan.

Monthly payments of service fees and plan contributions to the Cedar County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreements, monthly payments of service fees and weekly payments of claims processed are made to Benefits Inc. for the health plan from the Cedar County Employee Group Health Fund. The County records the plan assets and related liabilities for the Cedar County Employee Group Health Fund as an Internal Service Fund. The total contributions to the fund for the year ended June 30, 2012 were \$1,577,935.



CEDAR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 11. Risk Management (continued)

Self Insured Health Plan (continued)

Amounts payable from the Employee Group Health Fund at June 30, 2012 includes \$20,000 which is for incurred but not reported (IBNR) claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. The County had no remaining reserve at June 30, 2012 and reported a deficit balance of \$10,814 as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2011	\$ 20,000
Incurred claims (including claims incurred but not reported at June 30, 2012)	157,024
Payments	<u>157,024</u>
Unpaid claims at June 30, 2012	<u>\$ 20,000</u>

Note 12. Economic Development

On January 6, 2003, the County entered into a tax increment financing agreement with CDC Limited. Any taxes paid by CDC Limited on the incremental increase in assessed valuation of the affected parcels of real estate would be repaid to CDC Limited on a semi-annual basis for a period of ten years beginning December 1, 2004. In return, CDC Limited has agreed to construct and maintain an industrial facility for the length of the agreement in order to provide economic opportunities for County residents.

Tax rebate payments made according to the terms of this agreement totaled \$39,600 for the year ended June 30, 2012.

Note 13. Subsequent Events

On August 23, 2012, the County approved a contract totaling \$358,758 for a road resurfacing project. On December 3, 2012, the County approved a contract totaling \$1,126,897 for another road resurfacing project.

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## Required Supplementary Information

CEDAR COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds  
Required Supplementary Information  
Year Ended June 30, 2012

	Actual	Less Funds not Required to be Budgeted	Net
RECEIPTS:			
Property and other County tax	\$ 7,353,719	\$ -	\$ 7,353,719
Interest and penalty on property tax	47,961	-	47,961
Intergovernmental	6,454,075	-	6,454,075
Licenses and permits	61,294	-	61,294
Charges for service	1,064,433	-	1,064,433
Use of money and property	149,071	20	149,051
Miscellaneous	126,116	16,499	109,617
Total receipts	<u>15,256,669</u>	<u>16,519</u>	<u>15,240,150</u>
DISBURSEMENTS:			
Public safety and legal services	3,030,290	-	3,030,290
Physical health and social services	1,223,652	-	1,223,652
Mental health	2,587,730	-	2,587,730
County environment and education	1,348,261	-	1,348,261
Roads and transportation	4,698,465	-	4,698,465
Government services to residents	437,475	-	437,475
Administration	1,316,406	-	1,316,406
Non-program	6,602	-	6,602
Capital projects	698,912	2,030	696,882
Total disbursements	<u>15,347,793</u>	<u>2,030</u>	<u>15,345,763</u>
Excess (deficiency) of receipts over (under) disbursements	(91,124)	14,489	(105,613)
Other financing sources, net	<u>26,929</u>	-	<u>26,929</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(64,195)	14,489	(78,684)
Balance beginning of year	<u>5,509,309</u>	<u>3,815</u>	<u>5,505,494</u>
Balance end of year	<u>\$ 5,445,114</u>	<u>\$ 18,304</u>	<u>\$ 5,426,810</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net Variance
\$ 7,283,625	\$ 7,283,625	\$ 70,094
46,500	46,500	1,461
6,023,096	6,489,596	(35,521)
40,850	45,350	15,944
963,078	963,078	101,355
168,796	168,796	(19,745)
56,605	81,105	28,512
<u>14,582,550</u>	<u>15,078,050</u>	<u>162,100</u>
3,110,809	3,115,809	85,519
1,479,828	1,489,828	266,176
2,744,922	2,744,922	157,192
1,740,291	1,868,855	520,594
4,695,000	4,751,000	52,535
482,528	482,528	45,053
1,479,487	1,507,487	191,081
5,914	6,936	334
277,000	732,000	35,118
<u>16,015,779</u>	<u>16,699,365</u>	<u>1,353,602</u>
(1,433,229)	(1,621,315)	1,515,702
<u>38,401</u>	<u>56,401</u>	<u>(29,472)</u>
(1,394,828)	(1,564,914)	1,486,230
<u>4,484,143</u>	<u>5,505,494</u>	<u>-</u>
<u>\$ 3,089,315</u>	<u>\$ 3,940,580</u>	<u>\$ 1,486,230</u>

CEDAR COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information  
Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 15,256,669	\$ 190,155	\$ 15,446,824
Expenditures	15,347,793	(71,094)	15,276,699
Net	(91,124)	261,249	170,125
Other financing sources, net	26,929	-	26,929
Beginning fund balances	5,509,309	346,101	5,855,410
Ending fund balances	<u>\$ 5,445,114</u>	<u>\$ 607,350</u>	<u>\$ 6,052,464</u>

See accompanying independent auditor's report.

CEDAR COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$683,586. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the capital projects function prior to amendment of the budget and disbursements in the sanitary disposal department exceeded the amount appropriated.

CEDAR COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2012

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets ( a )</u>	<u>Actuarial Accrued Liability (AAL) ( b )</u>	<u>Unfunded AAL (UAAL) ( b-a )</u>	<u>Funded Ratio ( a/b )</u>	<u>Covered Payroll ( c )</u>	<u>UAAL as a Percentage of Covered Payroll ( (b-a)/c )</u>
2010	July 1, 2008	\$ 0	\$ 749	\$ 749	0.0%	\$ 4,834	15.5%
2011	July 1, 2008	0	749	749	0.0%	4,788	15.6%
2012	July 1, 2011	0	1,073	1,073	0.0%	4,848	22.1%

See note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.



## Supplementary Information

CEDAR COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012

	Special Revenue				
	County Recorder's Records Management	Drainage Districts	Solid Waste Disposal	Tax Increment Financing	Drug Forfeiture
<b>Assets</b>					
Cash and pooled investments	\$ 20,552	\$ 18,304	\$ 107,556	\$ 10,846	\$ 49,839
Receivables:					
Property tax:					
Succeeding year	-	-	-	81,000	-
Accounts	400	-	14,720	-	-
Total assets	<u>\$ 20,952</u>	<u>\$ 18,304</u>	<u>\$ 122,276</u>	<u>\$ 91,846</u>	<u>\$ 49,839</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Interfund payable	\$ -	\$ 17,500	\$ 100,000	\$ 15,000	\$ -
Accounts payable	-	222	95,479	-	-
Salaries and benefits payable	-	-	2,908	-	-
Deferred revenue:					
Succeeding year property tax	-	-	-	81,000	-
Total liabilities	<u>-</u>	<u>17,722</u>	<u>198,387</u>	<u>96,000</u>	<u>-</u>
<b>Fund balances:</b>					
Restricted for:					
Records management	20,952	-	-	-	-
Public safety purposes	-	-	-	-	49,839
Conservation purposes	-	582	-	-	-
Transfer station closure surety	-	-	10,000	-	-
Unassigned	-	-	(86,111)	(4,154)	-
Total fund balances	<u>20,952</u>	<u>582</u>	<u>(76,111)</u>	<u>(4,154)</u>	<u>49,839</u>
Total liabilities and fund balances	<u>\$ 20,952</u>	<u>\$ 18,304</u>	<u>\$ 122,276</u>	<u>\$ 91,846</u>	<u>\$ 49,839</u>

See accompanying independent auditor's report.

<u>Local Option Sales and Services Tax</u>		<u>Total</u>
\$ 198,210	\$	405,307
-		81,000
-		15,120
<u>\$ 198,210</u>	<u>\$</u>	<u>501,427</u>
\$ -	\$	132,500
-		95,701
-		2,908
-		81,000
-		<u>312,109</u>
-		20,952
198,210		248,049
-		582
-		10,000
-		<u>(90,265)</u>
<u>198,210</u>		<u>189,318</u>
<u>\$ 198,210</u>	<u>\$</u>	<u>501,427</u>

## CEDAR COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2012

	Special Revenue				
	County Recorder's Records Management	Drainage Districts	Solid Waste Disposal	Tax Increment Financing	Drug Forfeiture
Revenues:					
Property and other County tax	\$ -	\$ -	\$ -	39,600	\$ -
Intergovernmental	-	-	51,705	-	334
Charges for service	4,509	-	454,982	-	-
Use of money and property	16	18	158	-	37
Miscellaneous	-	16,499	33,641	-	-
Total revenues	4,525	16,517	540,486	39,600	371
Expenditures:					
Operating:					
County environment and education	-	-	688,489	39,600	-
Government services to residents	3,315	-	-	-	-
Administration	-	-	4,046	-	-
Capital projects	-	11,505	-	-	-
Total expenditures	3,315	11,505	692,535	39,600	-
Excess (deficiency) of revenues over (under) expenditures	1,210	5,012	(152,049)	-	371
Other financing sources:					
Interfund transfers in	-	-	50,000	-	-
Net change in fund balances	1,210	5,012	(102,049)	-	371
Fund balances beginning of year	19,742	(4,430)	25,938	(4,154)	49,468
Fund balances end of year	\$ 20,952	\$ 582	\$ (76,111)	\$ (4,154)	\$ 49,839

See accompanying independent auditor's report.

	<u>Local Option Sales and Services Tax</u>	<u>Total</u>
\$	- \$	39,600
	-	52,039
	-	459,491
	-	229
	-	50,140
	-	<u>601,499</u>
	-	728,089
	-	3,315
	-	4,046
	-	<u>11,505</u>
	-	<u>746,955</u>
	-	(145,456)
	-	<u>50,000</u>
	-	(95,456)
	<u>198,210</u>	<u>284,774</u>
\$	<u>198,210</u>	<u>\$ 189,318</u>

## CEDAR COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2012

	County Offices			Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff	
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	2,296
Other County officials	27,879	30,736	12,240	-
Receivables:				
Property tax:				
Delinquent	-	-	-	891
Succeeding year	-	-	-	199,000
Accounts	-	735	-	-
Total assets	<u>\$ 27,879</u>	<u>\$ 31,471</u>	<u>\$ 12,240</u>	<u>\$ 202,187</u>
LIABILITIES				
Accounts payable	\$ -	\$ 14,383	\$ 1,890	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	17,088	-	202,187
Trusts payable	27,879	-	10,350	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 27,879</u>	<u>\$ 31,471</u>	<u>\$ 12,240</u>	<u>\$ 202,187</u>

<u>Emergency Management</u>	<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>E-911</u>	<u>Corporations</u>	<u>City Special Assessments</u>
\$ 128,731	\$ 429,815	\$ 156,474	\$ 10,644	\$ 256,252	\$ 40,464	\$ 17,169
-	-	-	-	-	-	-
-	1,857	58,696	4,446	-	14,372	-
-	415,000	12,999,000	972,000	-	5,048,000	-
-	-	-	-	-	-	-
<u>\$ 128,731</u>	<u>\$ 846,672</u>	<u>\$ 13,214,170</u>	<u>\$ 987,090</u>	<u>\$ 256,252</u>	<u>\$ 5,102,836</u>	<u>\$ 17,169</u>
\$ 137	\$ 287	\$ -	\$ -	\$ 19	\$ -	\$ -
843	4,170	-	-	-	-	-
126,803	824,889	13,214,170	987,090	256,233	5,102,836	17,169
-	-	-	-	-	-	-
948	17,326	-	-	-	-	-
<u>\$ 128,731</u>	<u>\$ 846,672</u>	<u>\$ 13,214,170</u>	<u>\$ 987,090</u>	<u>\$ 256,252</u>	<u>\$ 5,102,836</u>	<u>\$ 17,169</u>

## CEDAR COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2012

	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Auto License and Use Tax</u>	<u>County Recorder's Electronic Transaction Fee</u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 4,398	\$ 264	\$ 425,210	\$ 1,140
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	2,015	14	-	-
Succeeding year	363,000	3,000	-	-
Accounts	-	-	-	400
Total assets	<u>\$ 369,413</u>	<u>\$ 3,278</u>	<u>\$ 425,210</u>	<u>\$ 1,540</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	369,413	3,278	425,210	1,540
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 369,413</u>	<u>\$ 3,278</u>	<u>\$ 425,210</u>	<u>\$ 1,540</u>

See accompanying independent auditor's report.



Empowerment			
<u>Fund</u>		<u>Total</u>	
\$	53,376	\$	1,526,233
	-		70,855
	-		82,291
	-		19,999,000
	-		1,135
<u>\$ 53,376</u>		<u>\$ 21,679,514</u>	
\$	23,218	\$	39,934
	-		5,013
	30,158		21,578,064
	-		38,229
	-		18,274
<u>\$ 53,376</u>		<u>\$ 21,679,514</u>	

## CEDAR COUNTY

## COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

## AGENCY FUNDS

Year Ended June 30, 2012

	County Offices			Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff	
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 27,659	\$ 21,043	\$ 9,374	\$ 198,131
Additions:				
Property and other County tax	-	-	-	199,008
State tax credits	-	-	-	6,615
E-911 surcharge	-	-	-	-
Office fees and collections	-	352,085	77,552	-
Auto licenses, use tax, driver licenses, and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	307	-	121,435	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	307	352,085	198,987	205,623
Deductions:				
Agency remittances:				
To other funds	-	155,656	73,820	-
To other governments	-	186,001	3,732	201,567
Trusts paid out	87	-	118,569	-
Total deductions	87	341,657	196,121	201,567
Balances end of year	\$ 27,879	\$ 31,471	\$ 12,240	\$ 202,187

<u>Emergency Management</u>	<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>E-911</u>	<u>Corporations</u>	<u>City Special Assessments</u>
\$ 91,521	\$ 778,020	\$ 13,398,933	\$ 923,392	\$ 247,351	\$ 4,923,303	\$ 4,239
-	415,815	13,009,723	973,539	-	5,084,169	-
-	13,493	451,993	30,692	-	116,828	-
-	-	-	-	105,018	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	78,032
-	-	-	-	-	-	-
-	-	-	-	203	-	-
103,546	19,597	-	-	-	-	-
103,546	448,905	13,461,716	1,004,231	105,221	5,200,997	78,032
-	-	-	-	-	-	-
66,336	380,253	13,646,479	940,533	96,320	5,021,464	65,102
-	-	-	-	-	-	-
66,336	380,253	13,646,479	940,533	96,320	5,021,464	65,102
\$ 128,731	\$ 846,672	\$ 13,214,170	\$ 987,090	\$ 256,252	\$ 5,102,836	\$ 17,169

## CEDAR COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2012

	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Auto License and Use Tax</u>	<u>Tax Sale Redemption</u>
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 345,967	\$ 3,222	\$ 450,179	\$ -
Additions:				
Property and other County tax	362,710	2,883	-	-
State tax credits	12,548	98	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax, driver licenses, and postage	-	-	5,601,060	-
Assessments	-	-	-	-
Trusts	-	-	-	212,076
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	375,258	2,981	5,601,060	212,076
Deductions:				
Agency remittances:				
To other funds	-	-	190,618	-
To other governments	351,812	2,925	5,435,411	-
Trusts paid out	-	-	-	212,076
Total deductions	351,812	2,925	5,626,029	212,076
Balances end of year	\$ 369,413	\$ 3,278	\$ 425,210	\$ -

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee	Empowerment Fund	Total
\$ 2,594	\$ 23,661	\$ 21,448,589
-	-	20,047,847
-	-	632,267
-	-	105,018
4,509	-	434,146
-	-	5,601,060
-	-	78,032
-	-	333,818
-	129	332
-	164,050	287,193
4,509	164,179	27,519,713
-	-	420,094
5,563	134,464	26,537,962
-	-	330,732
5,563	134,464	27,288,788
\$ 1,540	\$ 53,376	\$ 21,679,514

## CEDAR COUNTY

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Property and other County tax	\$ 7,373,619	\$ 7,126,247	\$ 6,732,058	\$ 6,481,663
Interest and penalty on property tax	47,716	53,311	55,377	44,387
Intergovernmental	6,517,014	6,764,514	7,723,850	7,401,142
Licenses and permits	60,974	49,777	50,171	54,210
Charges for service	1,074,474	1,024,116	991,219	962,818
Use of money and property	144,190	164,785	186,541	205,036
Miscellaneous	228,837	173,257	78,233	77,419
Total	<u>\$ 15,446,824</u>	<u>\$ 15,356,007</u>	<u>\$ 15,817,449</u>	<u>\$ 15,226,675</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,960,560	\$ 2,885,382	\$ 2,788,491	\$ 2,633,866
Physical health and social services	1,190,729	1,252,950	1,217,838	1,082,768
Mental health	2,641,365	2,254,983	2,161,313	2,309,981
County environment and education	1,383,151	1,540,442	2,462,774	1,152,930
Roads and transportation	4,687,747	4,938,334	5,024,836	5,057,008
Government services to residents	427,129	445,833	471,509	450,506
Administration	1,303,555	1,273,694	1,200,970	1,248,465
Non-program	6,602	15,307	4,320	4,242
Debt service	-	-	-	-
Capital projects	675,861	485,802	621,994	930,171
Total	<u>\$ 15,276,699</u>	<u>\$ 15,092,727</u>	<u>\$ 15,954,045</u>	<u>\$ 14,869,937</u>

See accompanying independent auditor's report.

	2008	2007	2006	2005
\$	6,709,396	\$ 6,650,106	\$ 6,493,506	\$ 6,873,785
	48,521	52,532	71,629	44,810
	5,717,081	6,613,886	6,473,937	6,181,889
	47,039	40,816	40,460	40,415
	1,000,497	880,809	1,033,796	957,047
	363,901	480,693	335,215	191,763
	154,079	96,126	144,094	104,475
\$	<u>14,040,514</u>	<u>\$ 14,814,968</u>	<u>\$ 14,592,637</u>	<u>\$ 14,394,184</u>

\$	2,526,569	\$ 2,442,778	\$ 2,410,045	\$ 2,325,998
	1,114,788	1,067,239	1,010,583	1,054,518
	2,350,115	2,343,358	2,657,815	2,404,162
	1,054,978	968,804	895,988	824,677
	5,279,916	4,326,007	4,406,428	4,250,121
	435,229	421,513	549,782	427,995
	1,445,904	1,294,089	1,295,564	1,276,444
	4,774	19,606	-	-
	1,486,038	517,725	516,915	520,565
	470,700	992,872	1,053,668	971,899
\$	<u>16,169,011</u>	<u>\$ 14,393,991</u>	<u>\$ 14,796,788</u>	<u>\$ 14,056,379</u>

CEDAR COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 12	\$ <u>3,669</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08DRMH-240	9,474
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08DRHB-214	<u>8,456</u>
			<u>17,930</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS CO16(75)	7,287
Highway Planning and Construction	20.205	BROS CO16(81)	<u>412,757</u>
			<u>420,044</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5882BT16	14,177
Public Health Emergency Preparedness	93.069	5881BT16	8,563
Public Health Emergency Preparedness	93.069	5881BT316	<u>3,004</u>
			<u>25,744</u>
Immunization Cooperative Agreements	93.268	5881I413	3,358
Immunization Cooperative Agreements	93.268	5882I413	<u>2,125</u>
			<u>5,483</u>



CEDAR COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
U.S. Department of Health and Human Services (continued):			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566	FY 12	\$ <u>9</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 12	<u>828</u>
Foster Care - Title IV-E	93.658	FY 12	<u>1,339</u>
Adoption Assistance	93.659	FY 12	<u>394</u>
Children's Health Insurance Program	93.767	FY 12	<u>13</u>
Medical Assistance Program	93.778	FY 12	<u>3,447</u>
Social Services Block Grant	93.667	FY 12	<u>1,189</u>
Social Services Block Grant	93.667	FY 12	<u>49,967</u>
			<u>51,156</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	IADR1763	<u>68,805</u>
Hazard Mitigation Grant	97.039	HMGPDRI763	<u>31,599</u>
Emergency Management Performance Grants	97.042	FY 12	<u>26,191</u>
Total			\$ <u>656,651</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Cedar County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Cedar County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 12, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Cedar County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Cedar County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cedar County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cedar County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedar County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Cedar County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Cedar County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Cedar County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Cedar County and other parties to whom Cedar County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cedar County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
March 12, 2013

*Hunt & Associates, P.C.*

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Cedar County:

Compliance

We have audited Cedar County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Cedar County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Cedar County's management. Our responsibility is to express an opinion on Cedar County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cedar County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cedar County's compliance with those requirements.

In our opinion, Cedar County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Cedar County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants agreements applicable to federal programs. In planning and performing our audit, we considered Cedar County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cedar County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the County's internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Cedar County and other parties to whom Cedar County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
March 12, 2013

*Hunt & Associates, P.C.*

CEDAR COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 20.205 Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Cedar County did not qualify as a low-risk auditee.

CEDAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Ag Extension, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

CEDAR COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-A-12 Segregation of Duties (continued)

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.



CEDAR COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

CEDAR COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the capital projects function prior to amending the budget. Disbursements in the sanitary disposal department exceeded the amount appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required in the future and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

- IV-B-12 Questionable Expenditures – We noted certain expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. The County paid \$5,720 in fines levied for an overweight vehicle being operated by the Special Revenue Fund, Solid Waste Disposal.

Recommendation – The County officials responsible for over-the-road heavy hauling tasks should be aware of all applicable laws and regulations for the areas of operation. The County employee should have known the weight of the truck prior to entering a public highway and officials should obtain the necessary equipment to prevent any similar occurrences in the future.

Responses –

Solid Waste – We now have an onboard scale on the truck to prevent this from happening again in the future.

County Auditor – We will not pay fines like this in the future and we will consider adopting a policy addressing who is responsible for paying fines.

Conclusion – Responses accepted.

- IV-C-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- IV-D-12 Business Transactions – No business transactions between the County and County officials or employees were noted.

CEDAR COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- IV-E-12 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- IV-F-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.
- IV-H-12 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-12 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.
- Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.
- IV-J-12 Financial Condition – The Internal Service Fund, Employee Group Health had a deficit net assets balance of \$10,814 at June 30, 2012. In addition, the Special Revenue Fund, Tax Increment Financing had a deficit fund balance of \$4,154 and the Special Revenue Fund, Solid Waste Disposal had a deficit fund balance of \$76,111 at June 30, 2012.

Recommendation – The County needs to explore alternatives to restore these funds to a sound financial condition.

Response – We will work on restoring these funds to a sound financial condition. We switched from a self-insured to a fully insured dental plan for the year ended June 30, 2011, which will limit future potential losses in the Employee Group Health Fund. We also increased the premium rate to help replenish these funds.

Conclusion – Response accepted.

- IV-K-12 Solid Waste Commission – We noted that the minutes for the Cedar County Solid Waste Commission were published 55 days following the Commission's meeting.

Recommendation – Chapter 28E.6(3) of the Code of Iowa requires such minutes to be published within 20 days following the meeting. The Commission should ensure that minutes are published on a timely basis in the future.

Response – This was an oversight on our part. We will ensure timely publication of all meeting minutes in the future.

Conclusion – Response accepted.